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April 10, 2007

VIA E-FILING AND HAND DELIVERY

Charles L.A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Dr., Suite 100
Columbia, SC 29210

Re: Petition of the Office of Regulatory Staff to Establish Dockets to Consider
Implementing the Requirements of Section 1252 (Smart Metering) of the Energy
Policy Act of 2005
PSC Docket No.: 2005-386-E

Dear Mr. Terreni:

Enclosed please find the original and one copy of the Direct Testimony and Exhibits of A. Randy Watts in the above referenced docket.

Please note that the attached documents are exact duplicates, with the exception of the form of the signature, of the e-filed copy submitted to the Commission in accordance with its electronic filing instructions.

By copy of this letter we are also serving all other parties of record. Please let me know if you have any questions.

Sincerely,

Nanette S. Edwards
Shannon Bowyer Hudson

NSE-SBH/pjm
Enclosure

cc: Parties of Record

THE OFFICE OF REGULATORY STAFF

DIRECT TESTIMONY

OF

A. RANDY WATTS

APRIL 10, 2007



DOCKET NO. 2005-386-E
EPAct 2005 - Smart Metering

**TESTIMONY OF
A. RANDY WATTS
ON BEHALF OF
THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF
DOCKET NO. 2005-386-E**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND
OCCUPATION.**

A. My name is Randy Watts. My business address is 1441 Main Street, Suite 300, Columbia, South Carolina 29201. I am employed by the State of South Carolina as Program Manager of the Electric Department for the Office of Regulatory Staff ("ORS").

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND
EXPERIENCE.**

A. I received a Bachelor of Science Degree in Electrical Engineering from the University of South Carolina in Columbia in 1976. I was employed at that time by the Public Service Commission of South Carolina ("Commission") as a Utilities Engineer in the Electric Department and was promoted to Chief of the Electric Department in August 1981. Subsequent to internal Commission restructuring, my position was designated Chief of Electric in October 1999. I remained in that role until transferring to my current position with ORS in January 2005. I have testified on numerous occasions before the Commission in conjunction with fuel clause, territorial assignment, Siting Act, complaint and general rate proceedings.

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
2 **PROCEEDING?**

3 **A.** The purpose of my testimony is to provide the Office of Regulatory
4 Staff's remarks regarding consideration of the appropriateness of requiring
5 electric utilities to install time-based meters and communications devices
6 ("Smart Metering") to enable customers to participate in time-based pricing
7 and other demand response programs as required under Section 1252 of the
8 Energy Policy Act of 2005 ("EPAcT").

9 **Q. WHICH ELECTRIC UTILITIES IN SOUTH CAROLINA ARE**
10 **SUBJECT TO THIS PROCEEDING?**

11 **A.** The South Carolina retail operations of Duke Energy Carolinas, LLC,
12 Carolina Power & Light d/b/a Progress Energy Carolinas, Inc., and South
13 Carolina Electric & Gas Company.

14 **Q. PLEASE ELABORATE ON THE REQUIREMENTS OF SECTION**
15 **1252 OF THE ENERGY POLICY ACT OF 2005.**

16 **A.** Under EPAcT 2005, state commissions are required to consider certain
17 standards to encourage better utilization of energy resources with respect to
18 each electric utility for which the state commission has ratemaking authority.
19 Specifically, Section 1252 requires states to consider the appropriateness of
20 requiring electric utilities to install time-based meters and communications
21 devices to enable customers to participate in time-based pricing and other
22 demand response programs. However, EPAcT sets forth that if the
23 Commission has considered or implemented the standards or comparable

1 standards described in Section 1252 or if the state legislature has voted on the
2 implementation of such standards or comparable standards within the previous
3 three years, then no action is required by the Commission.

4 **Q. MR. WATTS, ARE YOU AWARE OF ANY COMMISSION ORDERS**
5 **OR SOUTH CAROLINA STATUTES SPECIFICALLY ADDRESSING**
6 **THE ISSUE OF SMART METERING?**

7 **A.** I am not aware of any Commission order or state statute that
8 specifically uses the moniker “smart metering” to address time-based rates or
9 communications devices. However, the investor-owned electric utilities
10 currently offer time-based rate schedules as well as other peak load options.
11 The electric utilities have been cognizant for some time of the benefits of
12 offering time-based rates and they have been available to all customer classes
13 for several decades.

14 **Q. ARE THERE OTHER TIME-BASED RATES OR OPTIONS OFFERED**
15 **BY THE INVESTOR-OWNED ELECTRIC UTILITIES?**

16 **A.** Yes. All three utilities offer real-time pricing tariffs as well as
17 curtailable or interruptible load tariffs for peak load reduction efforts. They
18 also have available programs to supply large load customers with real-time
19 load data to assist consumers in managing their power requirements.

20 **Q. WHAT IS ORS’S POSITION WITH REGARDS TO THE INVESTOR-**
21 **OWNED ELECTRIC UTILITIES IN SOUTH CAROLINA BEING**
22 **REQUIRED TO OFFER SMART METERING TO THEIR**
23 **CONSUMERS?**

1 **A.** ORS believes the IOUs have already adopted time-based rates and
2 metering standards as contemplated by Section 1252 of EPAAct. In addition the
3 utilities continue to pursue other time-based pricing and demand response
4 programs through offerings of experimental tariffs and pilot programs. Some
5 of these offerings are in direct response to customer inquiries and requests.
6 ORS encourages the utilities to continue to pursue cost effective time-based
7 tariff offerings along with demand response programs that will provide proper
8 pricing signals as well as additional useful information to consumers that will
9 assist them in making more appropriate energy choices.

10 **Q.** **DOES THIS CONCLUDE YOUR TESTIMONY?**

11 **A.** Yes it does.

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2005-386-E

IN RE:

Petition of the Office of Regulatory Staff to)	
Establish Dockets to Consider Implementing)	CERTIFICATE OF
the Requirements of Section 1252 (Smart)	SERVICE
Metering) of the Energy Policy Act of 2005)	

This is to certify that I, Pamela J. McMullan, an employee with the Office of Regulatory Staff, have this date served one (1) copy of the **DIRECT TESTIMONY AND EXHIBITS OF A. RANDY WATTS** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

Len S. Anthony
Deputy General Counsel, Regulatory Affairs
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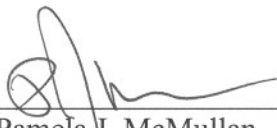
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Pamela J. McMullan

April 10, 2007
Columbia, South Carolina